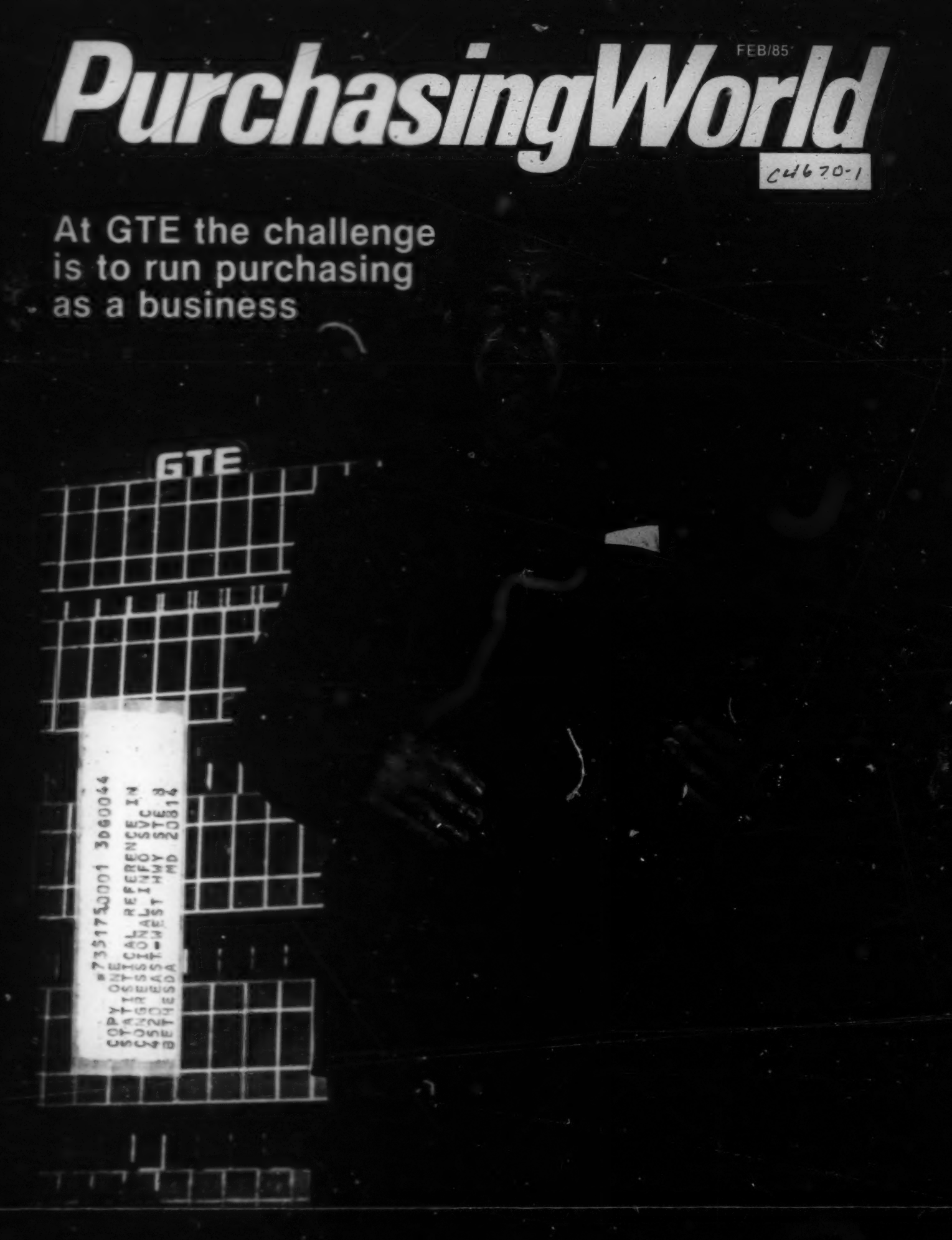
# PurchasingWorld

FEB/85

CH670-1

## At GTE the challenge is to run purchasing as a business



# PurchasingWorld

*Helping you manage the business of buying*

Vol. 29 No. 2-February, 1985


## Features


**30 The challenge is to run purchasing as a business**
"The great danger is that we will go on improving something that we should not be doing in the first place," says GTE's energetic vice president for materials management, John Davin. In this exclusive interview with *PW* editorial director Paul Farrell, Mr. Davin shares his insights into the changes and challenges facing purchasing/materials management.

**37* Special section on computer software**

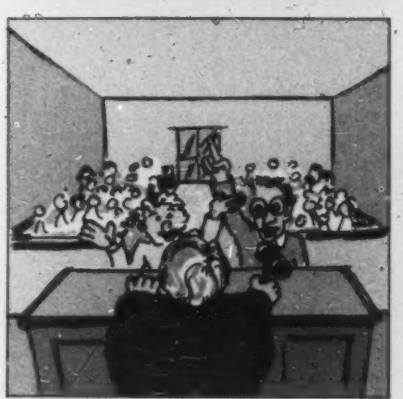
**37* Meeting the challenge of purchasing software**
As the choices in purchasing computer hardware and software become more complex in the face of rapid developments, Dr. Robert M. Monczka, C.P.M. offers some refreshing guidance to help PMs cut through the maze and confusion surrounding such purchases.

**42* How to buy personal computer software**
In an additional part of this special section *PW* feature, Donald Boudreau, vp for operations for Computer Software Inc., discusses ways to approach buying PC software and the pitfalls to avoid by using judicious selection techniques.

**44* Inventories: a realistic current evaluation**
Noted *PW* consulting economic expert Dr. Louis J. Paradiso takes an in-depth look at inventories and finds them holding steady at historic lows, with very little change in the offing.

**52* Packaging prices on the rise**
PMs see a moderate rise during 1985 in packaging prices in this exclusive nationwide *PW* survey, although some see a little shading in some lines. The only fears seem to be of leadtime extensions and some mention of tightness in corrugated and glass.

30



58

## Departments


| | | | |
|---|---|---|---|
| 4 | PW Pointers | 58 | Law |
| 6 | Editorial | 60 | Negotiations |
| 9 | PW Predicts | 62 | Calendar |
| 19 | Business Datatrak | 62 | New Literature |
| 55* | Talent Pool | 63* | Sample Pak |
| 56 | Transportation | 66 | Ad Index |


* Regional and demographic issues only


**PurchasingWorld** (USPS 472 470) is published monthly by Huebner Publications, Inc., 6521 Davis Industrial Parkway, Solon, OH 44139. Printed in USA. Subscriptions: Available without charge to qualified purchasing executives in US manufacturing companies. Available to others in the US for $46/year; Canada $56/year. Foreign subscriptions are available for $70 airmail or $40 surface mail. Sole agent for all subscriptions outside the U.S.A. and Canada is J.B. Tratsart, Ltd., 154a Greenford Road, Harrow, Middlesex HA 13QT, England. Second class postage paid at Cleveland, OH, and additional mailing offices. Editorial, circulation, and business offices: 6521 Davis Industrial Parkway, Solon, OH 44139.


© Copyright 1985 by Huebner Publications, Inc., subsidiary of International Thomson Business Press—All rights reserved.


ISSN 0093 1659.

Postmaster: Send address changes to **PurchasingWorld**, 6521 Davis Industrial Parkway, Solon, OH 44139.

# PW PREDICTS

Robert S. Reichard, executive editor

## Prices look to be pressure-free in the years ahead

It's looking more and more like another year of pretty clear sailing for prices.

Labor, for example, remains remarkably quiescent. True, more than 500 large contracts involving some 2.4 million workers in private industry will expire or be reopened this year. But all signs point to extremely modest settlements—with such key sectors as trucking, airlines, construction, apparel, and food likely to ratify pacts under the expected 4-5% general inflation rate. Even the more strident rubber, auto, and electrical unions will be hard pressed to reach this 4-5% figure.

This lag in union pay *vis-a-vis* the general inflation rate is unparalleled in recent history. It would certainly seem to suggest reduced wage cost pressure on prices in the quarters immediately ahead, especially if worker productivity rises anothe percentage point or so.

The continuing strong dollar also has to be considered a major anti-inflationary factor. Not only does our high-valued currency make imported goods cheaper, but it also acts as a restraint on domestic producers who might otherwise be tempted to post significant increases.

Even moderate decline in the dollar (which could be as much as 10%, some say) is not likely to change things very much over the current year. Reason: It would take 6-12 months for any such decline to start showing up in the inflation rate.

Even then the overall impact might turn out to be quite small. Foreign producers have not reduced their U.S. prices to anywhere near the levels suggested by the 40% run-up in the value of the dollar over the last three years. U.S. import prices over this same period have only gone down about 10%.

Implication: When the dollar does fall, overseas producers will have plenty of leeway to reduce their home currency prices—and, at least, partially offset the inflationary impact here in the U.S.

There are, of course, other price-curbing factors at work such as excess capacity, less-than-ebullient demand, shakey energy tags, and steady-to-slightly lower borrowing costs. It is not surprising that virtually every economist worth his salt is now predicting another year of price moderation.

One survey of 26 top business analysts puts the inflation rate (fourth quarter 1984 to fourth quarter 1985, GNP basis) at only 4.5%. Only two of these experts puts the increase in the 6% or higher range.

These estimates are being seconded by all the prestigious computer models. Another compilation (this one involving 14 models) suggests a GNP price deflator advance of only 4.3% with only one estimate topping the 6% mark.

The consensus of all these forecasts has to be reassuring.

This expectation of price moderation, incidentally, is more than just a domestic phenomenon. A look at the 1985 forecasts of other industrial nations—based on a new OECD estimate—provides the cheery details: Japan (2.75%), West Germany (2%), France (6%), Britain (5.5%), Italy (8.25%), and Canada (4%).

## Material handling equipment

Demand for material handling equipment will slow down soon.

At least that's how Frost & Sullivan sees things developing. Right now analysts at the New York-based research firm are projecting only a 7% real (inflation adjusted) advance for 1985—far under the estimated 37% jump of last year. Also, the gains over the subsequent three years (1986-88) are expected to be in the even more moderate range of 2-3% per year.

A modest amount of inflation in equipment prices is also anticipated, with 8% expected this year slowly decelerating to about 5% by 1988.

Current dollar and physical volume forecasts for 19 specific lines on a year-to-year basis show a wide variation, with newer types of equipment expected to capture a larger share of the market.

Thus while such established lines as industrial trucks will rise only 44% in real terms over the 1983-84 period, some king-sized gains are seen over the same time for mini-load AS/RS (159%), unit load AGVs (223%), bar code readers (287%), and roll-formed-track monorails (337%).

Foreign competition will also play a key role in some areas. The Japanese, for example, have captured an estimated 25-30% of the internal combustion engine forklift truck market. This has caused a major upheaval in the domestic industry, as U.S. manufacturers source these items worldwide.

Other interesting findings:

- **Most important recent developments,** as seen by users—robots (25%), microprocessor and computer controls (23%), forklift improvements (18%), AGVs (7%), narrow aisle equipment (7%), and bar code improvements (7%).
- **Most pressing needs for the future,** as seen by users—dependability, reliability, and maintainability (30%), cost containment (22%), computerization (15%), and robots (9%).

# PW PREDICTS

## Construction materials

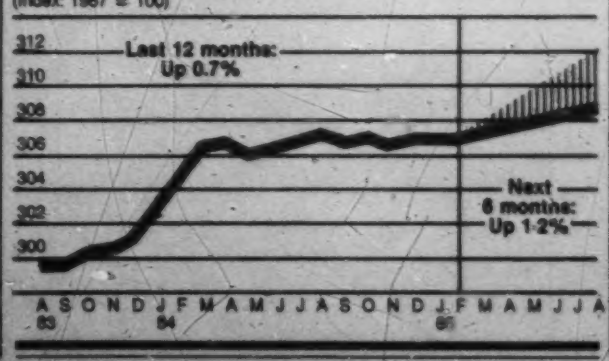
**CURRENT SITUATION: The housing slowdown is having a significant impact on construction material tags.** Prices have been marking time—in sharp contrast to the more than 3% annual rate of rise noted in early 1984. Other factors contributing to price restraint: (1) strong competitive pressures, (2) falling energy costs, and (3) rising imports in key areas such as lumber, cement, and steel.

**DEMAND: Construction projections point to a continued leveling off.** Total housing starts, for example, will dip into the 1.55-1.60 million unit range—down from 1.75 million last year. Impact will be felt on gypsum and on softwood lumber where last year's 7.5% shipment increase will give way to a 3% decline. Portland cement is expected to rise only 2-3%—well under last year's 15% advance. Even structural steel will find it hard to top last year's gains.

**SUPPLY: It looks like clear sailing for 1985.** This is certainly true for lumber where declining demand, reluctance to curb mill output, and Canadian imports are holding supplies steady. Fears of cement shortages have all but disappeared because of new, big plants and strong imports. The import factor is also causing a fabricated steel glut. Supplies of plastics, glass, and insulation materials are more than ample. **It's hard to find any construction material that's likely to be tight.**

**PRICE OUTLOOK: Moderation will continue—with perhaps only a 1-2% average increase seen for the next six months.** On a product-by-product basis there could even be a few fractional declines, most notable in plastic products and glass. Oversupply should keep lumber at present levels, and gypsum should stay steady too. Structural steel won't move up more than 5% this year. **Upshot: Construction costs for the year are likely to be up less than 4%.**

**Construction materials**
(Index: 1967 = 100)




## Coal

Press for price concessions when renewing long-term contracts. Signs of easiness: (1) Spot tags on metallurgical coal run as much as $3/ton under year-ago levels, (2) inventories remain far too high, and (3) production plans point to a 1% output decline this year as stocks are drawn down and consumption gains slow. On the latter score, only about a 2.3% increase is anticipated for 1985—less than half last year's big 5.9% advance.

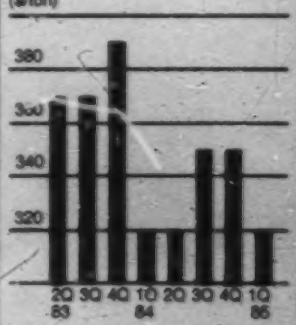
## Aluminum

There's still no sign of a price pickup—with market quotes holding in the low 50¢/lb range. One reason: inventories, despite announced production cutbacks, are still on the rise and now run 30-40% ahead of a year ago. To be sure, these output cuts will eventually have an impact. But don't expect miracles. Demand won't be all that robust with domestic shipments in 1985 lucky to eke out even a fractional gain. Best bet then: a slow price rise—with ingot moving up into the 60¢/lb range by spring.

## Paper

Uncoated white paper continues to be highly competitive. More important—linerboard quotes have dropped back to $320/ton—a significant 8.5% below the previously prevailing $350/ton level. Behind the softening: some easing off in domestic demand and reduced exports due to the strong dollar. There is also some feeling among industry observers that operating rates for linerboard aren't nearly as high as suggested by API figures. In any case, look for these quotes to remain easy into early spring.

**Linerboard**
($/ton)




## Petrochemicals

Late 1984 softness is spilling over into 1985, reflecting a combination of excess capacity, imports, just so-so demand, and lower feedstock costs. A current sampling of market tags tells the story: styrene (25.5-26¢/lb), polymer grade propylene (18.5-19¢/lb), ethylene (18.5-19¢/lb), and benzene ($1.17/gallon). Nor is any turnaround anticipated. Indeed, prices could well edge even lower if crude oil tags continue to soften.

## ABS plastics

There's little change noted in the pipe grade which continues to move in the

# PW PREDICTS

## Steel mill products

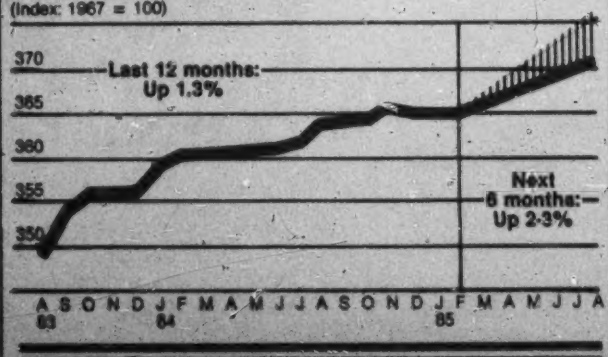
**CURRENT SITUATION: Prices remain quite weak as fierce competition among the major mills holds steel at bargain-basement levels.** An added depressant: huge tonnages of foreign steel in U.S. warehouses. Prices during the last half of 1984 dropped 15% in many spot steel markets. **The recent poor domestic shipment rate hasn't helped matters either.** The industry shipped only 17 million tons in the last quarter of 1984 and only 17.5-18 million tons are expected to clear the market in the current quarter.

**DEMAND: Somewhat better results are seen as the year wears on.** Requirements for freight cars, machinery, oil drilling equipment, and industrial construction are expected to increase, causing a small consumption gain. And there is hope that voluntary import curbs will drop the overseas market share from 25% to near 21%. **The industry is now expecting to ship anywhere from 76 to 80 million tons**—slightly above the 73 million moved in 1984.

**SUPPLY: Narrowing leadtimes and operating rates which averaged less than 70% in 1984 point to easy supply.** Raw steel making capacity, currently at about 135 million tons, is expected to drop further over the next few years despite increases in mini-mill potential. Combine this supply shrinkage with slowly increasing demand—and it points to better market balance.

**PRICE OUTLOOK: Figure on at least another 3-6 months of little change**—although official lists could edge up a few percentage points as mills lay the groundwork for future boosts. This does not rule out continuing heavy near-term discounting in many product lines. Cold rolled steel, for example, is currently available for less than $400/ton—more than $100/ton under list. **Products likely to be shaded over the next few months include plates, large structurals, and tubular products.**

**Steel mill product prices**
(Index: 1967 = 100)




65-70¢/lb range—not all that much under the official 72¢/lb list. But a 3-4% increase has recently been posted for refrigerator applications. And it's not inconceivable that automotive grades might also move up a bit after midyear when new 1986 models go into production. In any event, the resin should rack up a fair-sized 6% demand gain in 1985 (on top of last year's big 18% spurt)—enough to push operating rates into the mid-70s.

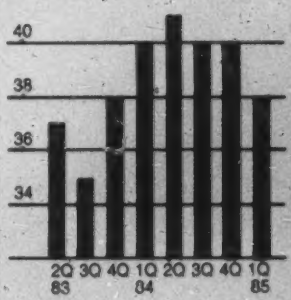
## Computers

Grey market transactions (sales by unauthorized dealers who buy unwanted machines from authorized dealers) are making for good bargains. Example: IBM PCs are now said to be available at prices ranging from 5% to 40% under suggested producer lists. Good bargains loom ahead on home computers, too, with the liquidation of Coleco's Adam line expected to bring quotes on these discontinued models down to as low as $200.

## Polypropylene

Declining monomer tags have knocked another few cents off the going per lb quote, with purchases being made in the low 34-38¢/lb range for the key homopolymer grade—some 10¢/lb under the prevailing list. Adding to the weakness has been the sale of large quantities of the resin at prices under the prevailing market level. Demand, on the other hand, has been holding up well—with a 5% increase now seen for 1985 on top of 1984's big 8% advance. This in turn should keep operating rates in the upper 80s, high enough to make for some modest firming later on in the year.

**Polypropylene (homopolymer grade)**
(Mkt. price—¢/lb.)




## Abrasives

Count on ample supplies and relatively modest price increases—both for grinding wheels and coated abrasive products. So advises a top executive of Norton Co. of Worcester, MA. On the supply side, he says that leadtimes for custom-made orders will remain at fourth quarter 1984 levels. He also notes that imports will continue to hold about 10% of the market, adding that it's the combination of these competitive pressures and manufacturing cost reductions that will keep price hikes down. One big growth area will be in grinding wheels with cubic boron nitride (CBN). Creep feed grinding will also show good progress.

# PW PREDICTS

## Crude oil

There's a good chance that prices may fall (perhaps as much as $3/barrel) over the next 3-6 months—bringing the going global quote to as low as $26/barrel. Much depends on how OPEC's new monitoring system works. Odds are that many of the nations involved won't abide by set quotas—especially since there are no penalties for cheating. Bottom line: If crude does fall, prices for gasoline, home heating oil, residual fuel, and other refined products are bound to follow suit, putting new downward pressure on all energy tags.

## Semiconductors

The big semiconductor industry is taking a breather after a record-breaking 1984.

As shown in the chart below, the book-to-bill ratio (measurement of orders relative to shipments) has dropped precipitously in recent months—falling to 0.61 at latest report—a far cry from the 1.5 peak of early last year.

One result: The 1985 outlook isn't nearly as bright as it seemed just a few short months ago. As recently as September 1984, the Semiconductor Industry Association was talking in terms of a 21% sales gain for the new year, but now the group seems reconciled to little more than a 10% advance. And even that may be a bit optimistic.

One thing is sure, it is taking a toll on prices. One industry observer, for example, feels that when the dust finally settles on 1985, overall semiconductor tags could fall off as much as 8-10%.

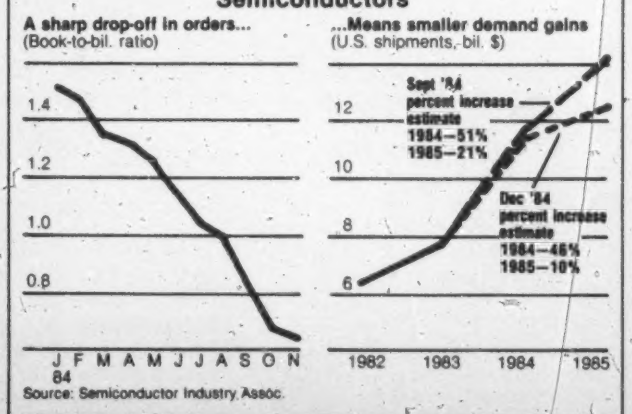
The above averages do not tell the whole story. In the highly competitive computer memory chip sector, 1985 averages could be off as much as 20-30%—on top of the 40-50% declines noted in some of these product lines last year.

Slackening demand is only part of the price story. Equally significant has been the big buildup in production capacity which was made on the assumption that the recent boom would continue into 1985.

Worldwide capital investment amounted to one fourth of the total revenues last year with the Japanese still upping their outlays. It's not surprising that several industry watchers now predict that semiconductor capacity will continue to outstrip demand for at least another 12-18 months.

In short, a buyers' market is here to stay for a while.

**Semiconductors**




Source: Semiconductor Industry Assoc.

## Zinc

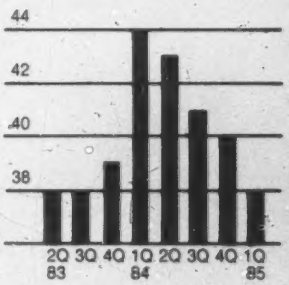
Softness persists—with producers in recent days offering 2¢/lb or more off the 45¢/lb HG list level and foreigners offering consignment with 60-90 days credit. On a more bullish note, there has been a modest reduction in Free World stocks. Production cutbacks, particularly in Europe, have also tended to bring supply and demand back into balance. Indeed, some modest price increases may be possible if the Soviets and Chinese step up their buying, though any climb back to the 53¢/lb level prevailing as recently as last spring still seems remote.

## Polystyrene

Credit recent declines in key feedstocks (benzene and styrene monomer) for new softness which has brought market prices down into the 35-38¢/lb range for the general purpose/crystal grade. A seasonal drop-off in demand may also have played a role in recent easiness which leaves quotes far under the official 48¢/lb list. The current year's demand gain isn't likely to be all that robust either with only about a 3% advance anticipated. This, in turn, implies only about a 66% operating rate—not nearly high enough to spark any major price boost.

**Polystyrene (general purpose)**

(Mkt. price—¢/lb.)



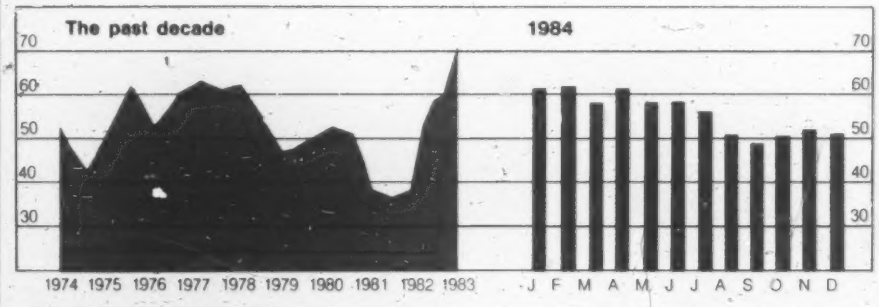

## Copper

While tags continue to back and fill in the low 60s range, metalmen are still betting on a modest rally by spring or early summer. Positive factors cited include (1) the likely maintenance of 1984's consumption gains, (2) some pickup in both Chinese and Japanese buying, and (3) big reductions in LME and COMEX stocks. On the latter score, if the drawdown continues, global holdings could again be approaching the normal 9-9.5 week level by late spring. If so, then prices could well edge up into the 70¢/lb range. But that's about it.

# BUSINESS DATATRAK

**NAPM business barometer**

Based on five indicators (employment, inventories, new orders, production, vendor performance)




## KEY ECONOMIC TRENDS

## Near term outlook is positive

Perhaps not all the news out of Washington these days is bullish. But for the most part, business indicators still remain positive, just about ruling out any near-term slide.

On the plus side, for example, there has recently been a fair-sized increase in new orders as well as some declines in critical money rates. Note, too, that the widely monitored NAPM Business Barometer (see chart) still remains above the neutral 50 mark, but well under the near 60 level of early last year.

The fall in interest rates is particularly significant. The drop in the prime borrowing rate to under 11% (see chart) —more than two full points under last summer's high—can't be shrugged off. A decline of this size will almost certainly give business a badly needed shot in the arm.

To be sure, most financial analysts do not see rates dropping much further—not in light of a $200 billion-plus budget deficit. More significantly, they see the decline as proof that the Fed is now a lot more accommodating than it was a few quarters back.

Put another way: The nation's money managers have given a loud and clear signal that they are not going to do anything that might abort the current business upturn.

The improved borrowing outlook is already beginning to have some positive impact on the housing market. Recent 1985 forecasts calling for only 1.5-1.6 million housing starts may have been a bit on the conservative side.

Credit the change here to failing mortgage rates. The average fixed rate mortgage was down to 13.1% at latest report (vs. 13.4% a year ago). And there is a good possibility this figure could fall as low as 12-12.5% by late spring, thereby making it possible for many more families to think about buying a new home.

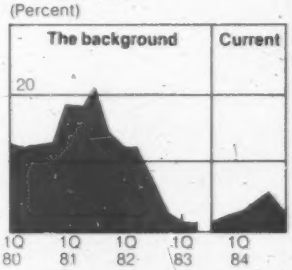
Another fairly encouraging sign has been the leveling off of consumer buying plans after a recent sharp decline (see chart). In the words of Fabian Linden, the Conference Board's economist in charge of compiling these figures: "The current level of confidence suggests that a good deal of vitality is still left in the current business recovery."

This confidence, incidentally is spilling over into the bellwether auto sector. Most Detroit executives, for example, are still talking in terms of equalling last year's good performance and have raised first quarter output to the highest level since 1979.

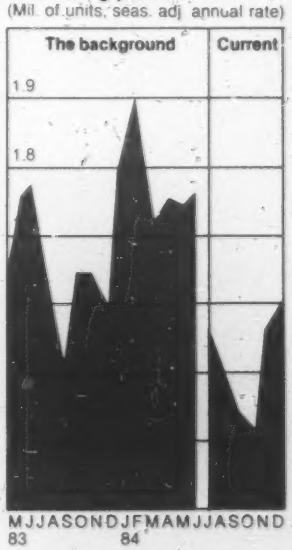
Also, there still seems to be some life left in capital investment. The latest Commerce Department plant and equipment survey tells the story here. As of a few weeks ago, its forecast was pointing to a respectable 8.4% rise in 1985, with only one or two percentage points of this

## Leading indicators

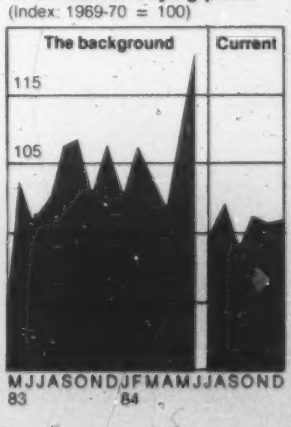
**1. Prime rate**
(Percent)




**2. Housing permits**
(Mil. of units, seas. adj. annual rate)




**3. Consumer buying plans**
(Index: 1969-70 = 100)



attributable to high prices.

To sum up: There is still a lot of forward momentum left. Maybe not as much as last year, but certainly enough to keep GNP and industrial production in the plus column for at least another 6-9 months.

## Top execs are less optimistic

The nation's top businessmen aren't as optimistic as they were last year. Evidence for this is fairly conclusive:

- Dun and Bradstreet's Sales Optimism Index, based on replies from some 1,500 corporate leaders, has dipped to 68, marking the second straight quarterly decline in this key yardstick after seven consecutive advances.
- The Conference Board's Confidence Index, based on an equally large sample of chief executives, has slipped to 57 from the 61 reading of the previous quarter.

Even with these drops, both measures are still at very high levels (see chart)—there is little evidence to suggest any imminent downturn. But it does point to a change in thinking on the part of the people who make many of today's key economic decisions.

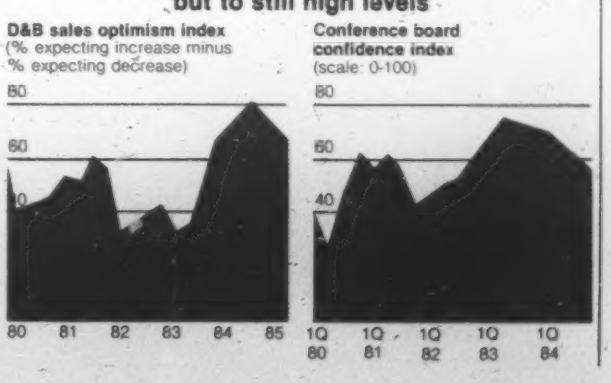
As Lora S. Collins, the Conference Board's Director of Business Conditions Analysis, puts it: "With expansion now well established, business leaders are less inclined than they were to report that business conditions are improving. Current readings simply reflect the maturation of this economic expansion."

A similar view is taken by Joseph W. Duncan, D & B's corporate economist, who notes that "The economic expansion has slowed to a more moderate pace following very strong gains made in the first three quarters of last year. The results of our current survey clearly reflect that fact."

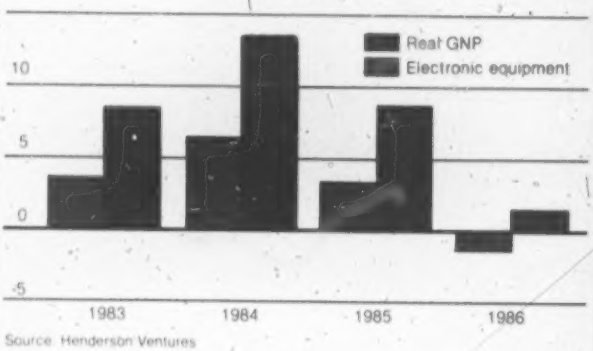
Among other things, the shift in economic thinking has also reduced business hopes of raising prices. Thus only 42% of D & B respondents now talk in terms of prices rising above the levels of a year ago.

Similar caution is seen in inventories where today's 40% who are planning on increasing inventories compares to the 54% reading of just six months ago.

**Business confidence slacking off—but to still high levels**




**Electronic equipment: still a growth market**
(Percent change)




Source: Henderson Ventures

## Another respectable year for electronics

The electronics equipment industry seems to be headed for another good year. Although not quite as good as 1984 when overall sales (in real terms) advanced a heady 13%.

So say analysts at Henderson Ventures, a California-based consulting firm. They see a 9% increase for 1985—not much under last year's big 13% advance, and still more than double the 3.6% increase in real GNP seen over this same period.

Indeed, even in 1986 (when a fractional decline in GNP is projected), the electronics industry should still be able to eke out about a 2% real gain.

These current dollar and real estimates also suggest continued moderation in prices—a less than 5% price increase is projected for the overall electronic equipment market for 1985.

The new study also divides the industry into five categories (by current dollar output only). The 1985 estimates on this basis: communications (16.2%), computer and office (13.5%), industrial and instrument (12.3%), military (15.9%), consumer (5.5%).

Figures for electronic components indicate some sharp deceleration from last year's big gains.

For semiconductors, for example, last year's 37.6% jump in consumption is expected to dwindle to a 13.7% for 1985. Even that might be optimistic. A similar sharp deceleration is seen for passive components where last year's 20.2% advance is expected to drop to 11.6%.

Components imports will become increasingly important this year. The import share of the semiconductor market is expected to top the 50% mark this year—well above the 42% and 48% penetration figures of 1983 and 1984.

## CURRENT PRICES

# Energy slides another point, metals soften

Industrial prices fell again this past month as energy and metals continue soft.

Year-to-year comparisons are almost as impressive. Over the last 12 months, for example, this bellwether yardstick of inflationary pressures moved up only 1.4%.

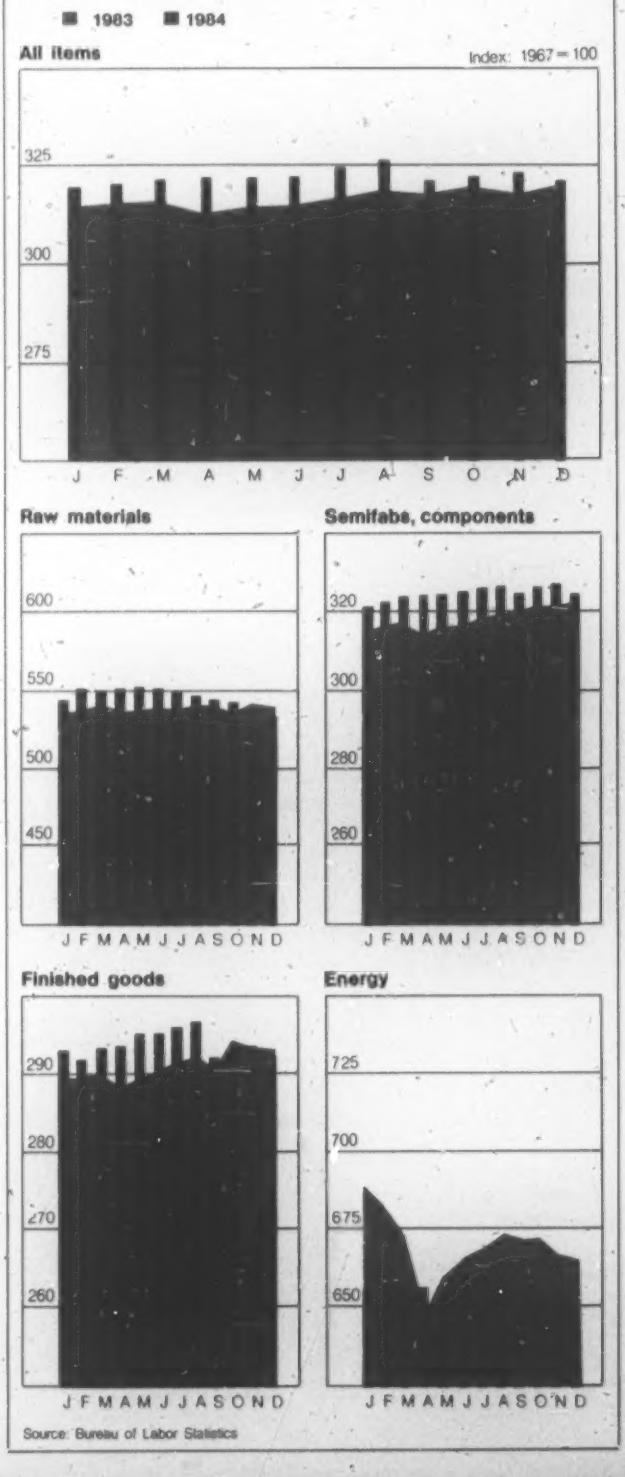
This good news, reported by the Bureau of Labor Statistics, is largely due to another decline in the energy sector where overall averages fell a full percentage point over the past month, with the year-to-year decline put at an even higher 1.5%.

Moving down during the month were crude petroleum, gasoline, home heating oil, residual fuel oil,

### This month's breakdown

| | Latest level (Dec.) | % change from: Month ago | Year ago |
|---|---|---|---|
| Bearings | 344.5 | −0.3 | 3.3 |
| Bolts, nuts, etc | 280.0 | 1.1 | 3.2 |
| Chemicals, inorganic | 297.3 | 0.3 | 2.7 |
| Chemicals, organic | 351.9 | 0.1 | −7.0 |
| Concrete products | 312.1 | 0.2 | 2.6 |
| Corrugated cartons | 281.4 | 0.1 | 12.6 |
| Cutting tools, small | 284.8 | 0.2 | 2.2 |
| Electric lamps (bulbs) | 341.6 | 0.3 | 3.1 |
| Electronic components | 196.9 | 0.1 | 4.7 |
| Fans and blowers | 351.5 | 0.0 | 4.5 |
| Foundry and forge products | 363.1 | 0.2 | 2.9 |
| Fuel oil (residual) | 1129.8 | −0.2 | 1.8 |
| Furniture, commercial | 299.8 | −0.4 | 3.6 |
| Gasoline | 554.5 | −1.7 | −5.5 |
| Glass, flat | 218.1 | 0.3 | −5.1 |
| Glass containers | 364.1 | −0.2 | 3.9 |
| Gypsum products | 329.3 | −0.9 | 2.1 |
| Hand tools | 365.5 | 0.2 | 3.7 |
| Hand tools, power driven | 226.6 | 0.1 | 1.8 |
| Industrial furnaces | 380.8 | −0.3 | 3.1 |
| Integrating and measuring instruments | 230.8 | −0.1 | 3.2 |
| Internal combustion engines | 344.7 | −0.9 | 2.5 |
| Lubricating oil | 794.5 | 0.0 | 0.8 |
| Lumber millwork | 312.5 | 0.9 | 1.3 |
| Material handling equipment | 292.1 | 0.2 | 1.8 |
| Metal containers | 357.5 | 0.0 | 5.1 |
| Metal mill shapes (nonferrous) | 315.3 | −0.7 | −0.2 |
| Metal tanks | 306.2 | 0.0 | 0.7 |
| Motors and generators | 342.2 | 0.1 | 1.8 |
| Motor trucks | 289.6 | −0.2 | 3.4 |
| Office and store equipment | 153.0 | −0.6 | −1.0 |
| Paperboard | 292.4 | −0.3 | 12.1 |
| Paper boxes and shipping containers | 272.6 | −0.1 | 8.1 |
| Paper office supplies | 243.5 | 0.0 | 7.1 |
| Paint | 277.3 | 0.1 | 4.7 |
| Plastic resins | 307.2 | −0.5 | 1.9 |
| Precision measuring tools | 254.9 | 0.0 | 4.3 |
| Pumps and compressors | 352.2 | −0.6 | 1.6 |
| Refractories | 366.6 | 0.0 | 3.8 |
| Rubber belts and belting | 344.5 | −0.6 | 2.7 |
| Scales and balances | 232.8 | 1.1 | 2.1 |
| Steel products | 365.1 | −0.1 | 2.3 |
| Switchgear | 274.7 | −0.1 | 0.5 |
| Textiles, synthetic fibers | 157.4 | −0.1 | −0.4 |
| Textiles, gray fabrics | 153.7 | −0.6 | 1.1 |
| Tires and tubes | 243.7 | −0.1 | 0.6 |
| Transformers and power regulators | 229.3 | 0.2 | 3.1 |
| Welding equipment | 285.1 | 0.2 | 2.1 |
| Wire and cable | 201.2 | −0.1 | −0.2 |

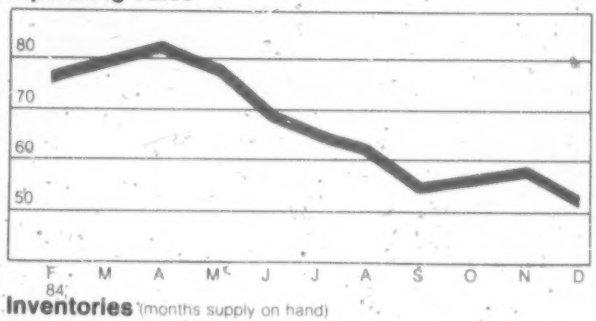
## Industrial prices



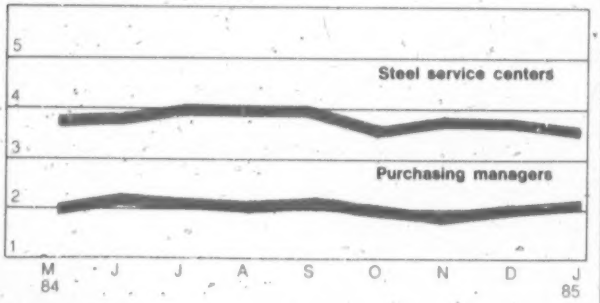

Source: Bureau of Labor Statistics

## Steel

**Operating rates**

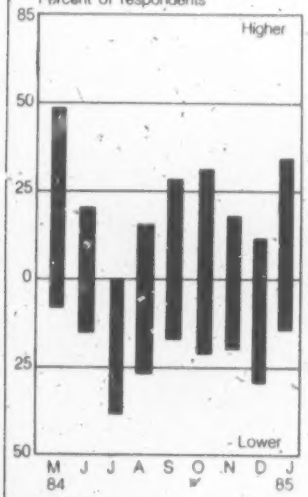



**Inventories** (months supply on hand)

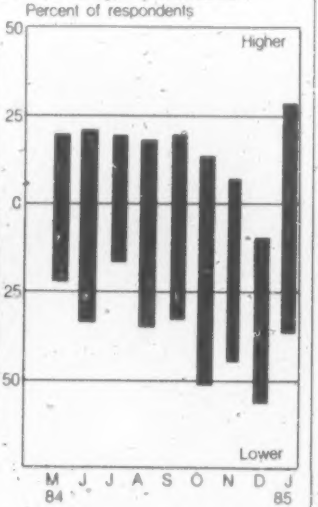



**Demand**

**Service center incoming orders**
Percent of respondents




**Steel buyer purchases**
Percent of respondents




**Import prices** (compared to domestic)

| Steel buyers | | Service centers (carbon) | |
|---|---|---|---|
| Above | 10% | Above | 0% |
| Same | 17% | Same | 19% |
| Slightly below | 66% | 5-10% below | 68% |
| Substantially below | 7% | 10-20% below | 13% |
| | | Over 20% below | 0% |

Source: Steel Service Center Institute, NAPM Steel Buyers Committee

electric power, liquid petroleum gas, and natural gas—with the latter off for the fourth consecutive month.

But energy isn't the only weak spot these days. Most metals have been soft. Declines have been noted for aluminum, copper, lead, cobalt, gold, and silver. Steel has not been very strong either, with plenty of discounts available. Even scrap metals have edged lower.

Other declines have been reported in plastic resins, plastic parts and components, wood pulp, textile fabrics, and crude rubber. But some of these were offset by increases in raw cotton, rubber hose, autos, fasteners, and bulbs.

A similar mixed picture is noted in construction materials. Increases in concrete products, lumber millwork, and asphalt felts and coatings have been offset by declines in softwood lumber, plywood, and gypsum products.

But on a slightly more inflationary note, capital equipment quotes moved up 0.2% for the second consecutive month. Even so, the increase here over the past year comes to only a fraction over 2%.

Most analysts remain optimistic about the near-term prognosis for industrial averages in general. Citing expected further drops in the energy sphere, they feel the overall tags over the first six months of 1985 will move up only about 1-2% at annual rate—thus assuring a few more quarters of relatively inflation-free purchasing.

## STEEL SCENE

### Buyers turning positive in surveys

Steel demand may still be in the doldrums, but buyers and service centers now think they see some light at the end of the tunnel.

At least that's what they are telling survey takers these days. Results of the latest NAPM Steel Buyer Committee report finds that 31% are expecting to increase buying over the next three months. That's the highest percentage since last March.

The gap between those seeing increases (31%) and those anticipating declines (38%) has narrowed, with the latest seven percentage point difference well under the 32 point and 14 point gaps of November and December.

An even rosier picture is suggested by distributors responding to the latest Steel Service Center Institute (SSCI) survey. Specifically, those anticipating an increase in incoming orders (34%) actually outnumber those expecting decreases (16%) by a better than 2 to 1 margin.

True, steel buyers' stocks have climbed a bit. But the rise here has been modest. Indeed the latest 2.15-month supply reading still leaves totals under mid-1984 highs.

More important, both service centers and buyers mean to keep their holdings down. Again, survey results tell the story. Thus 54% of queried distributors hope to bring

supplies down (vs only 7% contemplating an increase). And on the buyer front the 41% planning on near-term decreases compares almost as favorably to the 7% who are looking for an increase.

Reasons for this "keep-'em-lean" strategy could be faster deliveries and reduced fears of bottlenecks. Not one single item is seen as a problem by service centers. And buyers agree—with only one survey respondent voicing concern, and then in only one product, namely coated sheet.

All this is in sharp contrast to last summer when concern was expressed over hot-rolled, cold-rolled, and coated sheet.

On the other hand, talk about import restraints is forcing some reappraisal of sourcing. Thus some 26% of the centers say they will be less dependent on foreign steel—the biggest such percentage (except for one month) in more than two years.

Once again buyers agree, with 24% talking about less dependency. In contrast, only 14% say they still plan on to increase imports.

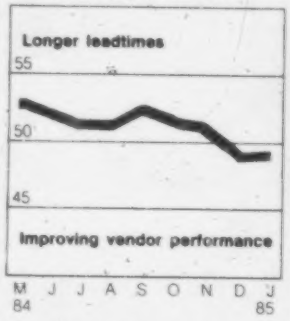
Another reason for less emphasis on imports, aside from quota restraints, could be that bargains are a bit harder to find. Specifically, 66% of buyers report lower import prices (*vis-a-vis* comparable domestic products)—a signficant drop from the 82% figure of just a month earlier.

Service centers note a similar trend. For carbon steel, 81% report lower foreign tags—a 12% drop from the previous month.

**Monthly procurement status report**

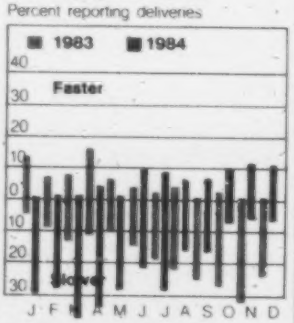
**Leadtime index**

A 'diffusion' index based on 158 key commodities. Above '50' indicates a tendency for leadtimes to stretch out. Below '50' suggests improving vendor performance.

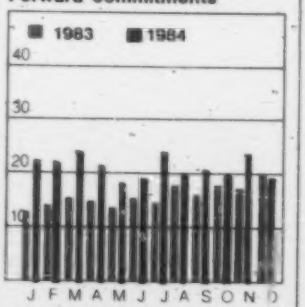



**Delivery performance**

Percent reporting deliveries

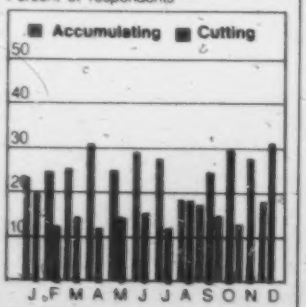



**Forward commitments**




**Inventory strategy**

Percent of respondents




Source: NAPM

And for stainless, the latest 81% price advantage reading compares to the 87% figure of just one month earlier.

## PROCUREMENT STATUS

### Another easy month ahead for purchasors

The evidence is mounting in support of another month of problem-free purchasing:

- **Prices:** For the first time in nearly two years the number of NAPM survey committee buyers reporting lower tags (13%) now tops those reporting higher ones (12%).
- **Leadtimes:** The trend toward gradual shrinkage continues—*PurchasingWorld's* exclusive leadtime index (at 49) remains below the neutral 50 mark for the third straight month.
- **Delivery speed:** Also for the third month in a row: more PMs note faster (11%) than slower (6%) deliveries.
- **Inventory retrenchment:** A basically "no sweat" situation is prompting more and more cuts. At latest report some 32% of NAPM survey committee members were paring stocks—compared to only 18% who were adding.
- **Forward commitments:** These continue to shrink in the key production material sector as only 19% commit 90 days or more in advance (vs 24% a month earlier). Nearly one out of five now say that they are buying on a hand-to-mouth basis.
- **Shortages:** They are virtually non-existent except for spotty mention of integrated circuits. Even this problem should disappear soon as recent declines in electronic component ordering continue.

The continuing low overall factory operating rate is perhaps the most reassuring sign of all. The average has been mired in the comfortably low 81-82% range for months now, and it is expected to stay there through spring and summer as small production increases are effectively offset by a steady upcreep in new capacity additions.

## Leadtimes and availability

**Chicago:** Polyethylene coated solid board is down a bit (to 9-13 weeks). So are common process stearates (to ½-1). But PVC resins have stretched to 2-4. Ditto, mill supplies. Most other MRO items remain unchanged: electrical materials (3-4), valves (2-3), and motors (2-3).

**Cleveland:** Small offsetting changes here. Cold finish aluminum is down (to 12) and coil coating paint is out fractionally (to 5-6). Other leadtimes: folding boxes (4), 2-ply fiber drums (2), polyethylene and PVC (3-4), glassines and greaseproof papers (4-5), and lumber (3).

**Los Angeles:** Pretty much the status quo here with these typical leads (in weeks): electro-mechanical components (4-6), custom storage tanks (5-6), galvanized steel (8-10), copper tubing (5-6), copper fittings (3-5), grey iron castings (7-8), brass castings (8-10), paint (4), and printed circuit boards (8).

# BUSINESS DATATRAK

**Houston:** Sluggish oil activity is behind relatively low leads which shape up as follows: high pressure heat exchangers (26-34), MRO items (0-3), electronic components (6-8), domestic drilling pipe (12), nonferrous metals (0-2), structural steel (13-21), forgings (5-7), electrical items (8), and air compressors (4-6).

**Philadelphia:** Standard reinforced tape has come to only one week. Edging out a bit are chemicals for foam (1), and wooden pallets (1-2). Tall oil fatty acids remain in short supply (6-8)—and there's little relief anticipated. Steel, fasteners, and corrugated cartons remain unchanged.

**Pittsburgh:** Silicon alloying material has come in a bit (to 3 weeks). No change posted for other alloys. Ditto for plastic bags (3-4), multiwall bags (6), corrugated and folding boxes (3-4), lumber (3-4), laminating papers (6-9), plastic packaging materials (3-4), steel strapping (2-3), paint (4-5), polyethylene (3), PVC (6).

## Leadtimes (in weeks)

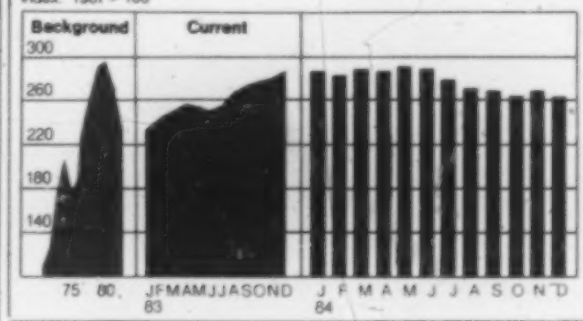
| | Now | Month ago | Six months ago |
|---|---|---|---|
| **STEEL** | | | |
| Sheet (Phil) | 9 | 9 | 9 |
| C-R Sheet (Chgo) | 5 | 5 | 5 |
| Plate (Phil) | 10 | 10 | 10 |
| Plate (Chgo) | 2½ | 2½ | 2½ |
| Reinforced (Hous) | 6 | 6 | 6 |
| H-R Bars (Phil) | 7 | 7 | 7 |
| H-R Bars (Chgo) | 3 | 3 | 3 |
| Cold-Drawn Bars (Phil) | 7 | 7 | 7 |
| Galvanized (LA) | 14 | 14 | 14 |
| Galvanized (Chgo) | 6 | 6 | 10 |
| Structurals (Chgo) | 4½ | 4½ | 3½ |
| Structurals (Hous) | 17 | 17 | 17 |
| Tubing (Phil) | 7 | 7 | 7 |
| Grey Iron Castings (LA) | 7½ | 7½ | 5 |
| Steel Castings (Hous) | 11½ | 11½ | 11½ |
| Forgings (Hous) | 6 | 6 | 6 |
| Pipe, Carbon (Hous) | 13 | 13 | 13 |
| **ELECTRIC & ELECTRONIC** | | | |
| Cables (Chgo) | 8½ | 8½ | 8½ |
| Capacitors (Chgo) | 17 | 17 | 17 |
| Circuit Breakers (Chgo) | 6 | 6 | 6 |
| Electromech. Devices (LA) | 7 | 7 | 7 |
| ICs (Linear) (Phil) | 17 | 17 | 20 |
| Motors (Phil) | 15 | 15 | 15 |
| Motors, 1000 hp & Up (Hous) | 39 | 39 | 39 |
| Printed Circuit Boards (Chgo) | 10 | 10 | 20 |
| Relays (Chgo) | 15 | 15 | 15 |
| Resistors (Chgo) | 12 | 12 | 14 |
| Resistors, Wirebound (Phil) | 10 | 10 | 10 |
| Transformers (Chgo) | 10 | 10 | 10 |
| **LUMBER** | | | |
| Hardwood (Pgh) | 3 | 3 | 3 |
| Hardwood (Clev) | 3½ | 3½ | 3½ |
| Plywood (Chgo) | 2 | 2 | 2 |
| Plywood (Phil) | 1½ | 1½ | 1½ |
| Softwood (Clev) | 3 | 3 | 3 |
| Softwood (Phil) | ¼ | ¼ | ¼ |
| Softwood (Pgh) | 3 | 3 | 3 |
| Particleboard (Phil) | 2½ | 2½ | 2½ |
| **CHEMICALS-PLASTICS** | | | |
| Adhesives (LA) | ½ | ½ | ½ |
| Napthalene (Chgo) | 2 | 2 | 2 |
| Paint (LA) | 5 | 5 | 5 |
| Paint, Coil Coating (Pgh) | 4 | 4 | 4 |
| Paint, Maint. (Cleve) | 3½ | 3½ | 3½ |
| Polyester Resin (LA) | 2 | 2 | 2 |
| Polyethylene Resin (Cleve) | 3 | 3 | 3 |
| Polyethylene Resin (Pgh) | 4 | 4 | 4 |
| PVC Resin (Chgo) | 3 | 2½ | 3 |
| PVC Resin (Pgh) | 6 | 6 | 6 |
| Titanium Dioxide (LA) | 1 | 1 | 1 |
| **PACKAGING** | | | |
| Bags, Kraft (Pgh) | 5 | 5 | 5 |
| Bags, Multiwall (Clev) | 9 | 9 | 9 |
| Bags, Multiwall (Pgh) | 6 | 6 | 6 |
| Cartons, Corrugated (Cleve) | 3 | 3 | 3 |
| Cartons, Corrugated (Hous) | 3 | 3 | 3 |
| Cartons, Folding (Phil) | 6½ | 6½ | 6½ |
| Cartons, Folding (Pgh) | 3½ | 3½ | 3½ |
| Cellophane Wrap (Phil) | 5 | 5 | 5 |
| Plastic Bags (Pgh) | 3½ | 3½ | 3½ |
| Plastic Pkg. (Pgh) | 3 | 3 | 3 |
| Shrink Film (Chgo) | 6 | 6 | 4 |
| Shrink Film (Clev) | 3 | 3 | 3 |
| Drums, Fiber (Pgh) | 1 | 1 | 1 |
| Drums, Steel, Std. (Pgh) | 1 | 1 | 1 |
| Wood Pallets (Chgo) | 2½ | 2½ | 2½ |
| Wirebound Boxes (Pgh) | 4½ | 4½ | 4½ |
| Strapping (Clev) | 2½ | 2½ | 2½ |
| Strapping (Pgh) | 3 | 3 | 3 |
| **PAPER** | | | |
| Fiberboard (Clev) | 3½ | 3½ | 3½ |
| Glassine (Clev) | 4½ | 4½ | 4½ |
| Glassine (Pgh) | 5½ | 5½ | 5½ |
| Groundwood (Clev) | 4½ | 4½ | 4½ |
| Groundwood (Pgh) | 7 | 7 | 7 |
| Kraft (Clev) | 1 | 1 | 1 |
| Kraft, Bleached (Clev) | 1 | 1 | 1 |
| Kraft, Bleached (Pgh) | 5 | 5 | 5 |
| Kraft, Natural MFNS (Clev) | 1 | 1 | 1 |
| Laminated (Clev) | 8 | 8 | 8 |
| Tissue (Pgh) | 5½ | 5½ | 5½ |
| **NON-FERROUS** | | | |
| Aluminum Coil (Chgo) | 11 | 11 | 13 |
| Aluminum Plate (Chgo) | 14 | 14 | 14 |
| Aluminum Sheet (LA) | 4½ | 4½ | 4½ |
| Aluminum Sheet (Chgo) | 11 | 11 | 13 |
| Brass Castings (LA) | 9 | 9 | 7 |
| Brass Rods (Chgo) | 6 | 6 | 10 |
| Brass Sheet (Chgo) | 7 | 7 | 17 |
| Brass Tube (Chgo) | 5 | 5 | 9 |
| Copper Fittings (LA) | 3½ | 3½ | 3½ |
| Copper Mill Prod. (Pgh) | 6 | 6 | 6 |
| Copper Tube (LA) | 5½ | 5½ | 5½ |
| Copper Tube (Phil) | 6 | 6 | 6 |
| Lead (Pgh) | 2 | 2 | 2 |
| Magnesium (Pgh) | 4 | 4 | 4 |
| Manganese (Clev) | 1 | 1 | 1 |
| Nickel (Clev) | 1 | 1 | 1 |
| Nickel (Pgh) | 2 | 2 | 2 |
| Silicon (Clev) | 1 | 1 | 1 |
| Tin (Pgh) | 3 | 3 | 3 |
| Wire, Specialty (LA) | 5 | 5 | 5 |
| Zinc (Pgh) | 2 | 2 | 4 |
| **MISCELLANEOUS** | | | |
| Bearings, Domestic (Phil) | 22 | 22 | 22 |
| Bearings, Foreign (Phil) | 26 | 26 | 26 |
| Boilers & Furnaces (Hous) | 35 | 35 | 35 |
| Compressors, Centrifugal (Hous) | 50 | 50 | 48 |
| Compressors, Reciproc. (Hous) | 39 | 39 | 39 |
| Fasteners (Chgo) | 1½ | 1½ | 1½ |
| Fasteners (LA) | 7 | 7 | 7 |
| Fasteners, Std. (Phil) | 4 | 4 | 2½ |
| Heat Exchangers, Carbon-alloy Steel (Hous) | 20 | 20 | 20 |
| Heat Exchangers, Hi-pressure (Hous) | 31 | 31 | 43 |
| Insulation Mat'l. (LA) | 7 | 7 | 7 |
| Machined Parts (Hous) | 9 | 9 | 9 |
| Pipes & Valves (Chgo) | 2½ | 2½ | 2 |
| Pumps (Hous) | 35 | 35 | 35 |
| Pumps (LA) | 9 | 9 | 9 |
| Rubber, Synthetic (LA) | 2 | 2 | 2 |
| Rubber Hose (LA) | 4 | 4 | 4 |
| Tungsten Carbide Parts (Hous) | 15 | 15 | 15 |
| Valves, Cast Steel (Hous) | 17 | 17 | 17 |
| Welding Supplies (Hous) | 5 | 5 | 5 |

# BUSINESS DATATRAK

## Raw material price barometer

| | |
|---|---|
| Latest month | 261.9 |
| Month before | 268.3 |
| Year ago | 282.4 |

Index: 1967 = 100




## Latest spot market prices

| | Latest price | Previous month | Year ago |
|---|---|---|---|
| **FERROUS METALS** | | | |
| Pig iron, basic, valley, gross ton | 213.00 | 213.00 | 213.00 |
| Pig iron, Bessemer, Pitts., gross ton | 213.00 | 213.00 | 213.00 |
| Steel, billets, Pitts., net ton | 367.00 | 367.00 | 347.00 |
| Steel, structural shapes, Pitts., cwt. | 23.90 | 23.90 | 23.90 |
| Steel, structural shapes, Chi., cwt. | 23.90 | 23.90 | 23.90 |
| Steel, structural shapes, Los Angeles, cwt. | 25.10 | 25.10 | 24.40 |
| Steel, bars, dlvd. Phila., cwt., merchant quality | 23.95 | 23.95 | 17.50 |
| Steel, bars, Pitts., cwt. | 23.95 | 23.95 | 17.50 |
| Steel, bars, C.R., Pitts., cwt. | 29.25 | 29.25 | 26.00 |
| Steel, plates, Pitts., cwt. | 23.25 | 23.25 | 23.25 |
| Steel, plates, H.R., Pitts., cwt. | 23.25 | 23.25 | 23.25 |
| Steel, sheets, C.R., Detroit, cwt. | 27.10 | 27.10 | 27.10 |
| Steel, strip, C.R., Chi., cwt. | 35.30 | 35.30 | 35.30 |
| Steel, basic wire, Pitts., cwt. | 23.65 | 23.65 | 23.65 |
| **NONFERROUS METALS** | | | |
| Aluminum, ingot, lb. (market place) | 0.490 | 0.538 | 0.760 |
| Antimony, in alloy, lb. | 2.00 | 2.00 | 2.00 |
| Beryllium-copper, cost ingot, lb. | 5.20 | 5.20 | 4.95 |
| Brass, red, 85%, [sheet], lb. | 1.26 | 1.25 | 1.22 |
| Brass, yellow, [sheet], lb. | 1.21 | 1.20 | 1.17 |
| Cadmium, ton lots, lb. | 1.25 | 1.25 | 1.25 |
| Copper, electrolytic, wire bars, refd., lb. | 0.64 | 0.63 | 0.68 |
| Copper sheet, over 24 in., lb. | 1.35 | 1.34 | 1.31 |
| Lead, common, N.Y., lb. | 0.18 | 0.23 | 0.25 |
| Magnesium, pig ingot, [99.8%], lb. | 1.48 | 1.48 | 1.43 |
| Mercury, 20 ft. lots, N.Y., fl. | 312.00 | 323.00 | 315.00 |
| Molybdenum Climax Oxide bags, lb. | 4.65 | 4.65 | 4.65 |
| Nickel, electrolytic, producer, lb. | 3.20 | 3.20 | 3.20 |
| Platinum, producer, oz. | 475.00 | 475.00 | 475.00 |
| Silver, N.Y., oz. | 6.13 | 6.87 | 8.20 |
| Tin, Straights, N.Y., lb. | 5.76 | 6.02 | 6.25 |
| Zinc, Prime West, East St. Louis, lb. | 0.45 | 0.45 | 0.49 |
| Zinc, die casting alloy, No. 3, lb. | 0.515 | 0.515 | 0.555 |
| **PAPER** | | | |
| Uncoated book #3 offset, ton | 850.00 | 850.00 | 810.00 |
| Watermarked bond, ton | 985.00 | 985.00 | 915.00 |
| Gummed sealing tape, carton | 16.25 | 16.25 | 15.45 |
| Boxboard, mach. clay ctd. recycled sheets 80 bright, .016, ton | 495.00 | 495.00 | 475.00 |
| Wrapping paper, std. distributor cost, kraft, basis wt. 50 lb., roll | 28.00 | 28.00 | 28.00 |
| Kraft linerboard, 42 lb., unbleached, ton | 320.00 | 350.00 | 320.00 |
| **TEXTILES** | | | |
| Burlap, 10 oz., 40", N.Y., yd. | 0.397 | 0.400 | 0.315 |
| Cotton drill, 1.85, 59", 68x49, N.Y., yd. | 1.04 | 1.04 | 1.02 |
| Cotton middling, 1", N.Y., lb. | 0.621 | 0.603 | 0.694 |
| Printcloth, 48", 80x80, N.Y., spot, yd. | 0.78 | 0.78 | 0.84 |
| Army duck, 37", 13 oz., yd. | 1.78 | 1.78 | 1.79 |
| Blended printcloth, 64", 78x54, yd. | 0.700 | 0.700 | 0.710 |
| 20s combed yarns | 2.12 | 2.12 | 2.14 |
| Wool tops, N.Y., lb. | 3.60 | 3.60 | 3.60 |
| **CHEMICALS** | | | |
| Acrylonitrile, tanks, lb. | 0.455 | 0.455 | 0.430 |
| Ammonia, anhydrous, fertilizer, wholesale, tanks, ton | 210.00 | 210.00 | 195.00 |
| Benzene, petroleum, tanks, Houston, gal. | 1.15 | 1.15 | 1.41 |
| Caustic soda, 76% solid, drums, carlots, cwt. | 26.00 | 26.00 | 26.00 |
| Cresylic acid [over 25%], tanks, lb. | 0.58 | 0.58 | 0.58 |
| Formaldehyde, USP, 37% [12% to 15% meth.], tanks, lb. | 0.106 | 0.106 | 0.106 |
| Glycerine, synthetic, tanks, lb. | 0.81 | 0.81 | 0.81 |
| Methanol, syn., tanks, 4,000 gals., f.o.b. Gulf Coast plants | 0.54 | 0.54 | 0.45 |
| Naphthalene, crude, tanks, lb. | 0.22 | 0.22 | 0.22 |
| Phthalic anhydride, tanks, lb. | 0.305 | 0.305 | 0.305 |
| Polyethylene resin, low density liner film grade (market price), lb. | 0.29 | 0.29 | 0.42 |
| Polypropylene, homopolymer grade (market price), lb. | 0.34 | 0.38 | 0.40 |
| Polystyrene, general purpose grade (market price) lb. | 0.35 | 0.37 | 0.42 |
| Shellac, bone dry, N.Y., lb. | 1.65 | 1.65 | 1.65 |
| Soda ash, 58%, light carlots, cwt. | 6.15 | 6.15 | 6.15 |
| Styrene monomer, 99.6%, tanks, lb. | 0.35 | 0.35 | 0.35 |
| Sulphur, crude, ex-terminal, Tampa, Fla./lt. | 157.50 | 162.50 | 132.50 |
| Sulphuric acid, 66%, commercial, tanks, ton | 56.85 | 56.85 | 56.35 |
| Titanium dioxide, anatase, reg., carlots lb. | 0.69 | 0.69 | 0.69 |
| Xylene tanks, gal. | 1.26 | 1.26 | 1.35 |
| **BUILDING MATERIALS** | | | |
| Lumber, 2x4 fir, mbf, cl. | 308.75 | 308.95 | 311.65 |
| Lumber, 2x2, pine, mbf, cl. | 288.15 | 286.15 | 310.60 |
| Plywood, plyform, ¾", msf, cl. | 572.60 | 573.05 | 551.20 |
| Plywood, ⅜", msf, cl. | 377.95 | 379.15 | 350.75 |
| Cement, bulk, ton, tl. | 63.74 | 63.74 | 61.78 |
| Sand, ton, cl. | 6.23 | 6.23 | 6.12 |
| Ready-mix concrete, 3,000 psi/cu yd., 15 cu. yd. | 47.62 | 47.62 | 45.75 |
| Crushed stone, 1½", ton, c. | 7.47 | 7.47 | 7.83 |
| Concrete blocks, sand/gravel, 8"x8"x16", ea., tl. | 0.79 | 0.79 | 0.76 |
| Gypsum sheathing, ½"x1"x8", msf, tl. | 206.40 | 206.40 | 192.50 |
| Brick, common, per thousand, tl. | 178.03 | 177.23 | 171.83 |
| Asphalt paving, AC-20 | 172.97 | 172.14 | 159.64 |
| Concrete sewer pipe, 12", prem. joint, per foot, cl. | 7.15 | 7.13 | 6.79 |
| **FUELS** | | | |
| Fuel oil, No. 6 or Bunker C, Gulf., bbl. | 25.25 | 26.25 | 25.75 |
| Fuel oil, No. 6 or Bunker C, N.Y., barge, bbl., reseller | 31.00 | 30.75 | 31.50 |
| Gasoline, 91 oct., reg., Los Angeles, rack, gal. | 0.705 | 0.760 | 0.810 |
| Gasoline, 94 oct., reg., Chi., tank car, gal. | 0.674 | 0.723 | 0.765 |
| Heating oil, No. 2, Chi., bulk, gal. | 0.750 | 0.797 | 0.835 |
| Heating oil, No. 2, N.Y., bulk, gal. | 0.808 | 0.808 | 0.878 |
| Heavy fuel, PS 400, Los Angeles, rack, bbl. | 26.50 | 26.50 | 26.25 |
| Jet kerosene, gal. | 0.755 | 0.768 | 0.860 |
| LP-Gas, propane, Okla., tank cars, gal. [incl. discount] | 0.420 | 0.425 | 0.460 |
| **SCRAP MATERIALS** | | | |
| Steel, No. 1, hvy., dlvd., Pitts., ton | 85.00 | 81.00 | 98.00 |
| Steel, No. 1, hvy., dlvd., Chi., ton | 78.00 | 75.00 | 88.00 |
| Copper, No. 1, East, wholesale buy, dlvd., lb. | 0.535 | 0.545 | 0.585 |
| Copper, No. 2, East, wholesale buy, | 0.445 | 0.455 | 0.495 |
| Brass, red, East, wholesale buy, dlvd., lb. | 0.495 | 0.505 | 0.545 |
| Brass, yellow, East, wholesale buy, dlvd., lb. | 0.330 | 0.345 | 0.315 |
| Alum., old sheet/cast, E., wholesale buy, dlvd., lb. | 0.335 | 0.335 | 0.500 |
| Alum., mixed clip, E., wholesale buy, dlvd., lb. | 0.355 | 0.355 | 0.515 |
| Zinc, old, East, wholesale buy, dlvd., lb. | 0.160 | 0.200 | 0.185 |
| Lead, clean solids, East, wholesale buy, dlvd., lb. | 0.100 | 0.120 | 0.150 |
| Paper, No. 1 mixed, dlr., N.Y., ton | Nom. | Nom. | Nom. |
| Paper, old corrug. box, dlr., Chi., ton | 15.00 | 15.00 | 25.00 |
| Paper, old corrug. box, dlr., N.Y., ton | 10.00 | 10.00 | 21.00 |
| Osnaburg cuttings, dlr., f.o.b. N.Y., lb. | 0.12 | 0.12 | 0.11 |
| White wipers, No. 1, dlr. buy, f.o.b. N.Y., lb. | 0.34 | 0.35 | 0.33 |

[Sources: Metals Week, Engineering News-Record (20-city averages), Platt's Oilgram Price Service.]

# Packaging prices on the rise

Figure on another year of moderately rising prices. That is how the majority of PMs responding to a new nationwide *PurchasingWorld* survey see things developing. But the increases should be generally tolerable, with less than one out of ten surveyed buyers putting the average 1985 advance in the 7% or higher range.

Only one respondent sees a 10% or higher boost—a marked improvement over last year when some of the paper sectors such as corrugated cartons and bags moved up an average of 11% (see chart).

Observes one Midwestern-based packaging buyer: "True we're not going to avoid further increases, but intensifying intra- and inter-industry competition, plus the fact that 1984 was a catch-up year for some vendors, should help us hold any new increases to manageable proportions."

Here is a more detailed rundown of what he and his fellow purchasing executives see developing over the new year:

- **Overall price level:** The average 1985 increase is estimated in the 4% or higher range, just about in line with the overall general inflation rate.
- **Prices—1985 vs 1984:** Projected increases represent a fractional improvement over last year when the average hike came to near 5%. The modest slowdown is also confirmed by the fact that 30% of the respondents expect some deceleration—a somewhat greater number than the 25% who feel 1985 price boosts may be bigger than those of last year.
- **Current discounting:** Most respondents seem to agree there is not very much price shading taking place now. On the other hand, some scattered easiness is still being reported in such sectors as plastics, glass, and folding boxes. Corrugated is still pretty firm, though a few buyers say they have been able to water down some of the recently announced boosts.
- **Specific 1985 price hikes:** The range of advances currently anticipated—corrugated (3-8%), folding cartons (3-5%), glass (3-6%), closures (5%), labels (5%), plastic bottles (2-5%), cans (3-7%), and flexible packaging (0-3%).
- **Demand:** A bit of a surprise here, with volume increases expected to equal those of the past year. The average 4.5% advance projected, if it turns out to be anywhere near correct, suggests 1985 may turn out to be a better year than some of the forecasters seem to be indicating.
- **Availability:** Pretty much unanimity here, with an overwhelming 95% anticipating absolutely no problem at all. About the only worries are scattered fears of some leadtime extensions and one or two mentions of corrugated and glass snugness.

But these latter concerns seem to be unfounded. In glass, for example, the NAPM Packaging and Container Committee notes "The overall glass market lacks the strength as the conversion to plastic containers by the liquor industry continues and as beer sales decline." The most recent report concludes that "supply exceeds demand in most areas."

Fears of tightness in corrugated would seem also to be unrealistic, given the recent industry forecasts calling for 1985 shipments of only 284 billion square feet, up just 3.5% from 1984 levels.

Buyers, meantime, continue to explore ways to contain costs. High on the list of strategies are packaging redesign, finding more sources, substitution of other materials, use of lighter gauge materials, and more consolidation of packaging into fewer basic types. On the latter score, E.T. Araco of New Jersey's United Hospital Supply notes that his firm has been able to reduce the number of carton types from 10-20 to only about 4-5 currently.

Perhaps the most effective cost-containing tack is still hard-nosed bargaining—something which is best summed up by James D. Butchart, purchasing and distribution vp at Diamond Glass of Royersford, PA, who says, "We are constantly reevaluating higher priced suppliers, aiming to replace them with lower priced ones where feasible. Our goal: a projected 3% savings." *PW*